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TAGS: [ECON](#) [EMIN](#) [PGOV](#) [PREL](#) [UZ](#) [ZK](#) [PENV](#)

SUBJECT: IN THE SPORT OF MINING, THE RUSSIANS TAKE URANIUM

REF: A. A) TASHKENT 237

[B. B\) TASHKENT 614](#)

[C. C\) TASHKENT 633](#)

Classified By: CLASSIFIED BY AMB. JON R. PURNELL FOR REASONS 1.4 (B, D)

[1](#)1. (C) Summary: The local press is painting an idealistic picture of the agreement between Technabexport and Uzbekistan,s Navoi Mining and Metallurgy Combine (NGMK) to produce uranium. Meanwhile, US-based RWE Nukem is worried that it is slowly being pushed out of the uranium industry. Non-Western businesses and governments are increasingly seeking to buy local uranium and mine new fields. End summary.

[1](#)2. (C) Uzbekistan, along with Kazakhstan, is now part of Russia,s proposal to create an international uranium enrichment center. The center, according to a February statement by President Putin, would likely operate within the framework of the Eurasian Economic Community (EurAsEC), to which Uzbekistan acceded in January (ref A). At the EurAsEC meeting earlier this year, Uzbekistan reached an agreement with Russia to deepen cooperation in exploring and developing uranium deposits. At the same time, Russian-owned Technabexport signed a protocol regarding joint production of uranium with NGMK. (Note: According to its website, Technabexport is a joint stock company associated with the Russian Federal Agency for Atomic Energy. The website advertises its "unique" ability to deliver the range of nuclear fuel cycle-related products and services. End note.)

[1](#)3. (C) A February 2006 press article from the Delovoi Partner Uzbekistana newspaper placed the uranium deal in the context of the GOU,s shift away from the West. The article illustrates the continued idealistic depiction of local industry, at least publicly. According to the article, Uzbekistan seeks to cooperate only with &those countries that treat our country as a competent partner.⁸ Moreover, it claims that Uzbekistan is on the road to effective world competition in the uranium industry. According to an RWE-Nukem representative, in 2005, NGMK mined 2,300 tons of uranium, or approximately six percent of total worldwide production. He also estimated that NGMK has approximately 150,000 tons of uranium yet to be mined, which should last for the next 75 years (ref B).

[1](#)4. (C) Until the Technabexport/NGMK protocol, RWE Nukem considered itself the primary partner of NGMK, however, now it seems that the American company,s Russian competition is gaining a toehold in the market. An Embassy contact from RWE

Nukem characterized the Russian-Uzbek agreement as a &green light8 for further planning on prospecting uranium deposits.

Due to what he described as &political reasons8, RWE Nukem has been waiting since March 2005 for the GOU to approve the memorandum on joint venture exploration and mining in the Navoi region. However, our contact said that RWE Nukem is not worried yet, as it remains the exclusive purchaser of Navoi uranium until 2013, and continues to look for joint venture opportunities.

15. (C) Comment: Although RWE Nukem holds exclusive rights to purchase uranium, anything goes in the current political climate. It appears that the protocol between NGMK and Techsnabexport may signal serious Russian entry into uranium and the mining sector in general. Given the current political-economic climate favoring Russian businesses, especially those closely related to the government, we cannot rule out that the GOU will find a way to sell the Navoi uranium to the Russians, the contract with RWE Nukem notwithstanding. While the Russians pose the largest threat to RWE Nukem,s market share, other countries are expressing interest in uranium too, including China and South Korea (ref C).

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